

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Lempert, et. Al. Analyst: Marion Mann DeJong Bill Number: AB 1614

Related Bills: AJR 20, SB 1908 Telephone: (916) 845-6979 Amended Date: 06/23/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: California Internet Tax Freedom Act

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSES OF BILL AS AMENDED May 27 and June 11, 1998, STILL APPLY.

OTHER - See comments below.

SUMMARY OF BILL

This bill would enact the "California Internet Tax Freedom Act," prohibiting, with specified exceptions, any local government (including political subdivisions) from imposing, assessing or attempting to collect any new taxes imposed on Internet access and Online Computer Services, and prohibiting discriminatory application of existing or new taxes, as defined, to Internet access or Online Computer Services. The act also would declare that California is not currently imposing any discriminatory taxes or fees on Internet access or Online Computer Services and that the Legislature intends that the state impose no such tax or fee in the future.

Under the Sales and Use Tax Law, this bill would codify the decisions of recent court cases and modify the date that the provision exempting the taking of orders from customers in this state through a computer telecommunications network from the definition of "engaged in business in this state" becomes inoperative.

SUMMARY OF AMENDMENT

The June 23, 1998, amendments made the following changes.

- Modified the definitions of "Online Computer Services" and "Internet access" to specify that telecommunications services are not included in those definitions.
- Modified the definition of "bit tax" so it does not include taxes imposed on the provisions of telecommunications services.
- Modified the definition of "bandwidth tax" to include a transactional tax imposed on or measured by the physical capacity of an available signal to

Board Position:

_____ S _____ NA _____ NP
_____ SA _____ O _____ NAR
_____ N _____ OUA X PENDING

Department/Legislative Director Date

Johnnie Lou Rosas 7/9/98

transmit information by fiber optics.

- Changed the date that the California Internet Tax Freedom Act would become inoperative from ten years to five years from the effective date of this bill. (This amendment resolved the policy consideration raised in the department's analysis of the bill as amended May 27, 1998.)

Except for the changes noted above, the department's analyses of the bill as amended May 27, 1998, and June 11, 1998, still apply.